

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AGR-20 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 STR-08

LAB-06 SIL-01 SAL-01 OMB-01 TRSY-11 PA-03 PRS-01

USIA-12 RSR-01 /139 W

----- 096153

R 031810 Z APR 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4263

INFO USMISSION EC BRUSSELS

AMEMBASSY PARIS

UNCLAS BONN 4896

DEPARTMENT PASS AGRICULTURE

E. O. 11652: N/ A

TAGS: EAGR/EEC

SUBJECT: PROPOSED EC EXPORT BUTTER SALE TO USSR CREATES OUTCRY
AGAINST CAP PRICES.

1. NEWS OF THE PROPOSED SALE OF EC SURPLUS BUTTER TO THE SOVIET UNION HAS BEEN WIDELY PUBLICIZED IN GERMANY. ALTHOUGH REACTION HAS BEEN LIMITED, IT HAS BEEN, NEVERTHELESS, CRITICAL OF THE DEAL.
2. IN A LEAD EDITORIAL, THE FRANKFURTER ALLGEMEINE OF MARCH 30 COUPLED THE SALE AND THE EC DAIRY POLICY AS QUOTE A SCANDAL UNQUOTE. IN CRITICAL TONES, THE ARTICLE DECRIED A POLICY THAT FORCED CONSUMERS TO ACCEPT ARTIFICIALLY HIGH DOMESTIC PRICES AND TO SUPPORT EXPORT SUBSIDIES OF THE MAGNITUDE NEEDED TO DISPOSE OF UNWANTED BUTTER. THE ARTICLE ALSO ATTACKED MINISTER OF AGRICULTURE ERTL FOR DEMANDING AGRICULTURAL PRICE INCREASES IN EXCESS OF THOSE PROPOSED BY THE EC COMMISSION.
3. SUPPLEMENTING THEIR FACTUAL NEWS REPORT, A GERMAN TELEVISION COMMENTATOR ALSO CRITICIZED THE CAP PRICE SYSTEM AND THE PROPOSED

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SALE AS INDICATIVE OF AN UNWORKABLE SYSTEM.

4. ACCORDING TO OFFICIAL ESTIMATES, EC BUTTER STOCKS WERE 407,600 METRIC TONS ON MARCH 15, 1973, AND UNOFFICIALLY MAY WELL REACH 600,00 TONS BY THE END OF THE YEAR -- EXCEEDING EC STORAGE CAPACITY -- UNLESS EXTRAORDINARY MEASURES ARE TAKEN. THE SUBSIDY NLD BE HARMONIZED IN A COMMUNITY SYSTEM OF MAXIMUM PRODUCT PRICES AT THE DISTRIBUTOR LEVEL.

9. THE MODALITY FOR ESTABLISHING HARMONIZED ACTION BETWEEN THE COMMUNITY AND THE PETROLEUM COMPANIES WOULD BE THE COMMUNITY'S CONFERRING A SPECIAL STATUS ON ACCREDITED (AGREIERTE) COMPANIES WHICH AGREED TO ASSUME SPECIFIC OBLIGATIONS VIZ A VIZ THE COMMUNITY. THE COMMUNITY'S GRANTING OF ACCREDITATION (AGREMENT) WOULD IN NO WAY BE AUTOMATIC AND WOULD COME ONLY AFTER SOLEMN AND PRECISE REGISTRATION OF THE OBLIGATIONS ASSUMED BY THE COMPANY. TO GIVE THE SYSTEM THE " DESIRED COHERENCE", COMPANIES SEEKING ACCREDITATION WOULD HAVE TO HAVE COMMUNITY CHARACTER (" KOMMUNITAERE REPRAESENTATIVITAET").

10. THE OBLIGATIONS OF AN ACCREDITED COMPANY WOULD FALL UNDER FOUR CATEGORIES A) PROVISION OF INFORMATION B) AGREEMENT TO MINIMUM SUPPLY COMMITMENTS C) EC COORDINATION OF THEIR INVESTMENT AND IMPORT PLANS AND D) PARTICIPATION OF RESERVES AND SUPPLIES THEY CONTROL IN A " COMMUNITY POOL".

A. THE COMPANY WOULD HAVE TO PROVIDE THE COMMUNITY ANNUALLY DETAILED INFORMATION ON ITS AVAILABLE RESERVES AND THE DEVELOPMENT OF ITS PRODUCTION CAPACITY, AS WELL AS THE FINANCIAL EFFECTS OF ITS EXPLORATION FOR, AN EXPLOITATION OF, RESERVES. THE COMPANY WOULD HAVE TO INFORM THE COMMUNITY OF ITS MORE IMPORTANT NEGOTIATIONS WITH PRODUCING COUNTRIES, PRIOR TO THEIR CONCLUSION, IF THESE COULD INVOLVE SIGNIFICANT CHANGES IN PRICES OR TRADITIONAL SUPPLY CHANNELS. CONCEIVABLY AN OBSERVER FROM THE COMMISSION COULD BE PRESENT DURING THESE NEGOTIATIONS.

B. THE COMPANY WOULD UNDERTAKE A FIVE- YEAR OBLIGATION TO PROVIDE THE EC WITH SPECIFIC, ANNUAL, MINIMUM AMOUNTS OF CRUDE, BROKEN DOWN IN TERMS OF CRUDE FROM THE EC REGION, CRUDE THAT REMAINS IN POSSESSION OF THE COMPANY UNDER THE PARTICIPATION AGREEMENTS WITH

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PRODUCING COUNTRIES, CRUDE UNDER LONG- TERM PURCHASE AGREEMENTS WITH PRODUCING COUNTRIES AND CRUDE UNDER SHORT- OR MEDIUM- TERM PURCHASE ARRANGEMENTS.

C. THE COMPANY WOULD AGREE TO CONSULT WITH THE COMMISSION ON ITS INVESTMENT AND IMPORT PLANS. THE COMPANY WOULD HAVE TO DECLARE ITSELF WILLING TO ACCOMODATE CONSIDERATIONS WHICH WOULD LEAD TO AN EVENTUAL MODIFICATION OF THESE PLANS ON THE BASIS OF THE GLOBAL CONCERNS OF THE COMMUNITY AND THE INTENTIONS OF OTHER ACCREDITED COMPANIES.

D. IN THE EVENT SOME ACCREDITED COMPANIES HAVE GLOBAL CRUDE SURPLUSES OR DEFICITS, THOSE COMPANIES WOULD HAVE TO OBLIGATE THEMSELVES TO CARRY OUT THE NECESSARY SALES AND PURCHASES, WHENEVER POSSIBLE, BETWEEN ACCREDITED COMPANIES. " A COMPANY WITH A CRUDE SURPLUS MUST
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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts:
Control Number: n/a
Copy: SINGLE
Draft Date: 03 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BONN04896
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730431/aaaahkuc.tel
Line Count: 138
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 09 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09-Oct-2001 by averetam>; APPROVED <20-Dec-2001 by kellerpr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 971118
Subject: PROPOSED EC
TAGS: EAGR, GW, n/a
To: EC BRUSSELS
EUR
PARIS
SECSTATE WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005